

# MONTHLY REVENUE REPORT

## January 2007

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$2.02 billion in January, which was down 0.4% from the year-ago level. This marked the fifth time in the past six months that tax collections have declined; however, the news was not all bad in January. Meaningful increases were posted by income tax withholding and quarterly payments, use tax collections were up sharply, and motor vehicle sales tax collections were up for the fourth consecutive month. In addition, some of the declines in tax collections were the result of timing issues and not necessarily weak collections. While some of the major taxes generated more revenue than was anticipated and other taxes fell short of their expected receipts, overall tax collections were very close to the targeted level for January. Tax collections through January, which marks the end of the first quarter of FY 2006-07, are down from last year's level by 1.5%; most of this shortfall occurred in November and December.

Net income tax revenue (gross collections less refunds) in January totaled \$848.2 million, which was up 1.4% from last year's level. Gross collections (withholding, quarterly, and annual payments) were up 2.1% in January to \$911.0 million, as withholding payments increased 2.1% and quarterly estimated payments advanced 5.2%. This growth in gross collections was partially offset by an 11.9% increase in refunds from \$56.1 million last year to \$62.8 million this year. So far this fiscal year, net income tax collections are up 1.4%.

Sales tax collections in January totaled \$618.9 million, which was down 1.6% from the \$629.1 million that was collected one year ago. Sales tax collections were not expected to rise to their January 2006 level, which was up a very strong 12.7%. Sales tax collections from motor vehicle transactions increased 1.3% in January, which marked the fourth consecutive monthly increase. Prior to these increases, motor vehicle sales tax collections had increased only two times in the previous 38 months. Sales tax collections from all other taxable retail transactions were down 1.9% in January. On a fiscal year-to-date basis, sales tax collections are down 2.1%.

Single business tax collections fell 11.9% in January to \$204.9 million. Most of the revenue received in January was from businesses making their estimated payments for activity incurred during the fourth quarter of 2006. This decline reflects the fact that business activity slowed in the fourth quarter of 2006, particularly in the motor vehicle industry. Using a three-month moving average to help smooth out the monthly timing shifts that occur in these business tax collections, single business tax collections have declined for six consecutive months and in seven of the past 12 months. So far in FY 2006-07, single business tax collections are down 12.8%.

Tobacco tax and State education tax collections both were down in January apparently due to timing factors. Tobacco tax collections were down over \$10.0 million from last year's level. Given that this marks a very large monthly decline for tobacco tax collections, at least some, if not most, of this shortfall probably reflects a timing shift and not an actual decline. State education property tax collections tend to be relatively small and erratic this time of year, so the 45.4% decline posted in January was not meaningful. If the collections from both of these taxes had been at more "normal" levels in January, total tax collections would have been up slightly for the month.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for January 2007, along with their fiscal year-to-date collections and growth rates. Also presented are the revised consensus revenue estimates for FY 2006-07, which were adopted at the January 2007 Consensus Revenue Estimating Conference.



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**MICHIGAN REVENUE UPDATE**  
**JANUARY 2007**  
(dollars in millions)

Type of Revenue	December Collections		FY 2006-07 to Date <sup>2)</sup>		FY 2006-07 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2005-06
Gross Income Tax	\$911.0	2.1%	\$2,070.4	1.4%	\$7,937.8	1.1%
Refunds	(62.8)	11.9	(111.8)	14.3	(1,695.7)	4.3
Net Income Tax	\$848.2	1.4%	\$1,958.6	0.7%	\$6,242.1	0.3%
Sales Tax	618.9	(1.6)	1,675.6	(2.1)	6,732.3	1.4
Motor Vehicles	53.4	1.3	154.0	2.7	---	---
All Other Sales Tax	565.5	(1.9)	1,521.6	(2.5)	---	---
Use Tax	134.2	19.6	345.6	4.9	1,414.5	2.8
Tobacco Taxes	87.7	(9.8)	281.3	(2.8)	1,147.0	(1.9)
Single Business Tax	204.9	(5.5)	387.4	(12.8)	1,870.3	1.5
Insurance Tax	30.6	(2.2)	54.4	(9.0)	226.1	3.0
State Education Property Tax	17.8	(45.4)	368.2	7.8	2,094.5	4.5
Real Estate Transfer Tax	20.0	(22.5)	57.8	(30.7)	244.2	(18.0)
Casino Wagering Tax <sup>4)</sup>	14.8	17.5	54.4	8.8	163.0	4.8
Oil & Gas Severance Tax	7.6	(10.6)	16.4	(37.6)	66.0	(19.0)
Other Taxes <sup>5)</sup>	32.4	38.5	111.6	(0.5)	450.2	0.9
<b>Total</b>	<b>\$2,017.1</b>	<b>(0.4)%</b>	<b>\$5,311.3</b>	<b>(1.5)%</b>	<b>\$20,650.2</b>	<b>1.0%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$ 174.3	3.6%	\$ 742.1	0.6%	\$2,264.5	2.4%
Net to School Aid Fund <sup>4)</sup>	\$ 51.1	0.4%	\$ 235.5	(0.7)%	\$ 702.0	2.0%

1) Total collections are unadjusted cash collections unless otherwise noted.

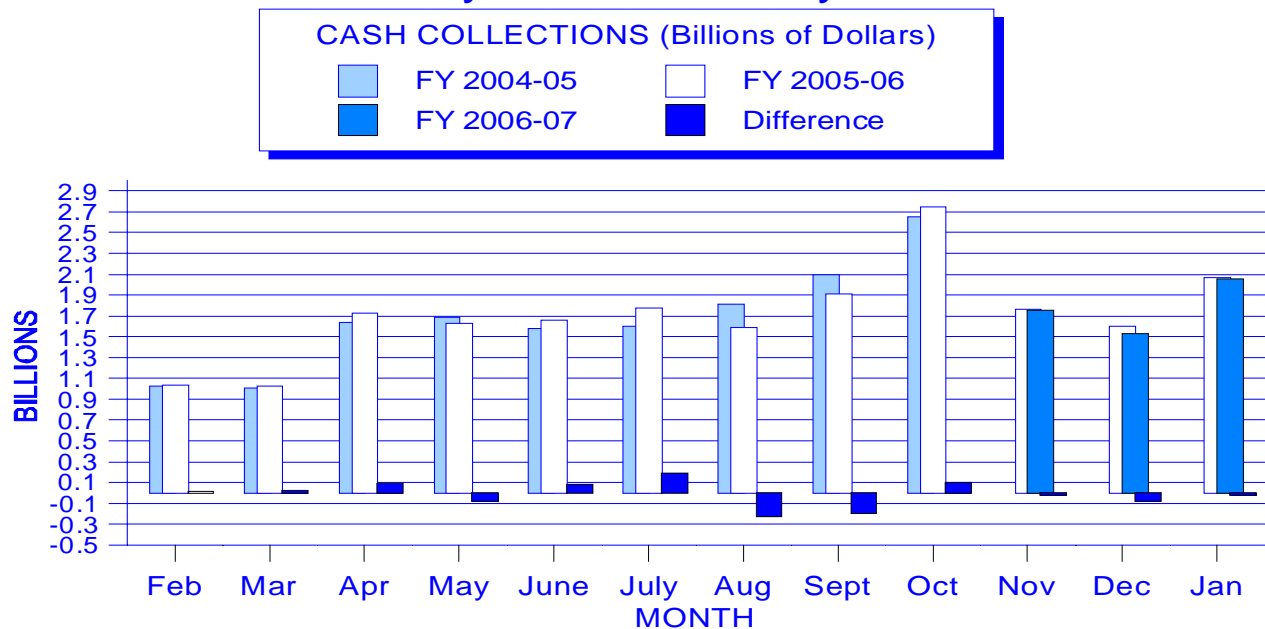
2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the January 18, 2007, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes\***  
**February 2005 to January 2007**



\*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.